

Title: Spouses Efren N. Rigor and Zosima D. Rigor vs. Consolidated Orix Leasing and Finance Corporation

Facts:

The petitioners, Spouses Efren and Zosima Rigor, obtained a loan of PHP 1,630,320.00 from the respondent, Consolidated Orix Leasing and Finance Corporation, and executed a promissory note on July 31, 1996, promising repayment in 24 equal monthly installments. To secure the loan, they also executed a deed of chattel mortgage over two dump trucks. The Rigors failed to fulfill several installments, prompting Consolidated Orix to file a complaint for Replevin with Damages in the Regional Trial Court (RTC) of Dagupan City on January 5, 1998, aiming to foreclose the chattel mortgage.

The petitioners opposed this action, contending that it contravened the stipulated venue in the promissory note, which limited legal actions to be filed in Makati City. However, Consolidated Orix argued that an alternative venue was permissible as per the deed of chattel mortgage, which allowed for cases to be initiated where the mortgagee has a branch office—in this case, Dagupan City. The Dagupan RTC, in orders dated June 3, 1998, and July 15, 1998, denied the Rigors' motion to dismiss, prompting their petition for certiorari to the Court of Appeals, which similarly rejected their appeal on October 19, 1998, and denied reconsideration on November 27, 1998.

Issues:

1. Whether the venue for the legal action stipulated in the chattel mortgage contract is valid under Article 1374 of the Civil Code.
2. Whether the appellant court erred in interpreting the promissory note and deed of chattel mortgage as complementary documents, thus justifying the venue of the legal action.

Court's Decision:

The Supreme Court denied the petition, affirming the decisions of both the lower court and the Court of Appeals. It held that the promissory note and deed of chattel mortgage should be construed together, recognizing the validity of alternative venues as stipulated in the deed of chattel mortgage. The Court found no inconsistency in interpreting these documents together and ruled that the venue in Dagupan City was proper, dismissing the petitioners' argument favoring exclusive jurisdiction in Makati City.

Doctrine:

1. Complementary Contracts Doctrine: Contracts that are inherently related, such as a

principal obligation and its accessory (e.g., a promissory note and a deed of chattel mortgage), should be interpreted together, taking into account their collective provisions and intents.

2. Article 1374 of the Civil Code: This article asserts that the various stipulations of a contract must be interpreted together, attributing to doubtful ones that sense which may result from all of them taken jointly.

Class Notes:

- Principal and Accessory Contracts: The existence of an accessory contract (e.g., chattel mortgage) relies on a principal contract (e.g., loan agreement). Both should be read and interpreted together.
- Article 1374, Civil Code: Stipulates the importance of interpreting the stipulations of a contract in their totality to deduce their combined intent and provisions.
- Venue in Contractual Agreements: Parties may agree on a specific venue for legal actions arising from their contract, but such provisions must be interpreted in the context of related agreements and the broader intention of the parties.

Historical Background:

This case highlights the intricacies of interpreting contractual provisions relating to venue and the legal principle that associated contracts (principal and accessory) cannot be considered in isolation. It exemplifies the judiciary's role in discerning the collective intent behind related contractual documents, emphasizing the importance of comprehensive contract drafting that anticipates possible areas of contention, such as venue for legal actions.